

Message Text

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ACTION AF-08

INFO OCT-01 EUR-12 ISO-00 FEA-01 ERDA-05 AID-05 CEA-01

CIAE-00 CIEP-01 COME-00 DODE-00 EB-07 FPC-01 H-01

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TO SECSTATE WASHDC 8088

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C O N F I D E N T I A L LAGOS 13661

E.O. 11652: GDS

TAGS: ENRG, NI

SUBJECT: STATUS OF NIGERIAN NATIONAL PETROLEUM CORPORATION, FISCAL
INCENTIVES POLICY, AND INDIGENOUS EXPLORATION EFFORTS

REF: (A) STATE 281621 (B) STATE 269840 (C) LAGOS 12668

1. NIGERIAN LAWYER WHO REPRESENTS SEVERAL OIL COMPANIES, SAYS
HE KNOWS BOTH YAR ADUA AND GARBA PERSONALLY, AND USUALLY
SEEMS TO BE WELL PLUGGED IN TO FMG THINKING, TOLD PETROLEUM
OFFICER DECEMBER 6 THAT PLANNED STRUCTURE OF NEW NIGERIAN
NATIONAL PETROLEUM CORPORATION (NNPC) ENVISAGES CHAIRMAN,
MANAGING DIRECTOR, AND SEVERAL DIRECTORS IN CHARGE OF REFINING,
MARKETING, GAS, EXPLORATION AND PRODUCTION, PIPELINES, AND
OTHER SIMILAR CATEGORIES INCLUDING, SURPRISINGLY, PETRO-CHEMICALS.

2. ACCORDING TO SOURCE, SMC HAS REACHED AGREEMENT THAT PRESENT
COMMISSIONER OF PETROLEUM RESOURCES, COLONEL BUHARI, WILL REMAIN
AS CHAIRMAN. HOWEVER, POSITION OF MANAGING DIRECTOR, WHICH MAY
BE MORE IMPORTANT IN LONG RUN: AS YET UNDECIDED. CANDIDATES ARE
APPARENTLY CHIEF FEYIDE, CURRENT PERMSEC S.B. AWONIYI, AND
POSSIBLY CURRENT DIRECTOR OF PETROLEUM RESOURCES, F.R.A.
MARINHO. FEYIDE, ACCORDING TO SOURCE, IS MOST QUALIFIED
OF THREE AND IS FAVORED TO GET THE JOB. SOURCE SAID THAT
AWONIYI, DESPITE HIS DECISION NOT TO TAKE EARLY RETIREMENT
AS PREVIOUSLY PLANNED, IS NOT KNOWLEDGEABLE ABOUT OIL
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MATTERS AND IS CONSIDERED IN HIGH COUNCILS TO BE UNABLE

TO MOVE THINGS ALONG AS FAST AS NECESSARY. MARINHO, THOUGH TECHNICALLY COMPETENT, HAS ACCORDING TO SOURCE, BEEN UNABLE TO MAKE HARD DECISIONS.

3. SOURCE CONCLUDED ON HOPEFUL NOTE THAT IF FEYIDE GETS NOD AS MANAGING DIRECTOR OF NNPC THERE WILL BE BETTER CHANCE OF GENUINE PROGRESS ON OIL MATTERS. AT PRESENT, SOURCE SAID, ACTIVITY ON OIL POLICY MORE APPARENT THAN REAL, AND HE EXQRESSED CONCERN THAT CONFUSION AND DELAY MAY HAVE ADVERSE EFFECT ON NIGERIA'S OIL PRODUCTION AND REVENUES. SOURCE BELIEVES MINISTRY OF PETROLEUM RESOURCES (MPR) IS BITING OFF MORE THAN IT CAN CHEW IN ATTEMPTING TO REORGANIZE AND COMBINE NIGERIAN NATIONAL OIL COMPANY (NNOC), NIGERIAN PETROLEUM REFINING COMPANY (NPRC), NATIONAL OIL AND CHEMICAL MARKETING COMPANY (NOMCO) AND MINISTRY UNDER ONE ROOF, AND SAID HE IS QUOTE WORRIED THAT WE ARE GETTING OURSELVES INTO AN INDONESIAN SITUATION UNQUOTE. REORGANIZATION DECREED TWO MONTHS AGO, BUT IMPLEMENTATION NOT YET WORKED OUT. MOVE TO TAKE PETRO-CHEMICALS AWAY FROM MINISTRY OF INDUSTRIES IN JUUT ONE MORE UNNECESSARY COMPLICATION. FURTHERMORE: IN ADDITION TO LACK OF REAL PROGRESS IN ESTABLISHING NNPC, PACKAGE OF NEW FISCAL INCENTIVES TO STIMULATE EXPLORATION AND DEVELOPMENT IS STILL ONLY IN DRAFT FORM AND WILL NOT BE READY UNTIL NEXT YEAR. FINALLY, EVEN NNOC'S FIRS EFFORTS AT OWN DRILLING FOR OIL ARE SOMETHING OF A SHAM. NNOC BEGAN DRILLING IN AUGUST ON WESTERN EDGE OF OPL 96, A CONCESSION RELINQUISHED BY MOBIL OIL AND DIRECTLY ADJACENT TO OTHER MOBIL DISCOVERIES. FINDING OIL THERE VIRTUALLY CERTAIN. HOWEVER, SOURCE SAID, THIS AMOUNTS TO NOTHING MORE THAN DRILLING A DEVELOPMENT WELL, AND EVEN NNOC STAFF SOMEWHAT EMBARRASSED AT CALLING IT GENUINE EXPLORATION.

4. THIS SOURCE'S ASSESSMENT OF LACK OF REAL PROGRESS IN IMPLEMENTING NNPC IS SHARED BY INDEPENDENT NIGERIAN PETROLEUM CONSULTANT WHOM PETROLEUM OFFICER HAS ALSO FOUND TO BE WELL INFORMED. IN COURSE OF CONVERSATION ABOUT PETROLEUM DEVELOPMENTS ON DECEMBER 7, CONSULTANT VENTURED HIS OPINION THAT FEYIDE HAS STRONGER POLITICAL CONNECTIONS
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THAN AWONIYI AND IS A BETTER ADMINISTRATOR THAN MARIHO WHO, ALTHOUGH A VERY HARD WORKER, DOES NOT KNOW HOW TO DELEGATE. CONSULTANT ALSO CONFIRMED LAWYER'S ASSERTION THAT NNPC IMPLEMENTATION STILL IN PRELIMINARY PLANNING STAGES AND ADDED HIS OPINION IT NOT LIKELY TO GET OFF GROUND UNTIL APRIL 1977 OR LATER.

5. CONSULTANT AGREET THAT FISCAL INCENTIVE PACKAGE

STILL IN DRAFT STAGES. HE BELIEVES FMG IS WAITING
FOR OPEC MEVANG TO SEE IF ECONOMIC COMMISSION WORKING
GROUP ON PROFIT MARGINS WILL HAVE ANY RECOMMENDATIONS
READY WHICH NIGERIA SHOULD TAKE INTO ACCOUNT. CONSULTANT
ALSO ELABORATED ON NNOC DRILLING EFFORTS. FIRST WELL
WAS DRILLED IN EXTENSION OF STRUCTURE FROM ADJACENT MOBIL
OIL CONCESSION AND FOUND SOME OIL, THOUGH NO BONANZA.
RIG THEN MOVED TO DIFFERENT STRUCTURES ON EASTERN SIDE
OF OPL 96. SECOND WELL WAS DRY, AND THIRD WELL NOW AT
9,000 FEET WITH NO OIL YET. NNOC, HE SAID, DOES CONSIDER
ALL WELLS TO BE EXPLORATORY, THOUGH ONLY OIL FOUND WAS
IN LEAST SPECULATIVE OF THREE.
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